ANNUAL REPORT

RED OWL STORES, INC., FOR PERIOD ENDING JANUARY 27, 1968

CONTENTS

The annual shareholders' meeting will be held on June 4, 1968, at ten o'clock in the forenoon.

HIGHLIGHTS

	Fiscal Year Ended *Jan. 27, 1968 (48 weeks)	Fiscal Year Ended Feb. 25, 1967 (52 weeks)
Restated net sales and operating revenues on a fully comparable basis**	$340,966,344	$305,939,917
Actual net sales and operating revenues per financial statements	$313,327,958	$337,483,386
Earnings		
Earnings before extraordinary items	$ 2,485,029	$ 1,451,796
Extraordinary items, net	—	$ 78,533
Net earnings	$ 2,485,029	$ 1,530,329
Per average number of common shares outstanding	$ 1.64	$ 1.00
Number of shares outstanding at year-end	1,522,348	1,513,028
Dividends per common share	$ 1.00	$ 1.00
Net working capital	$ 17,731,051	$ 18,936,364
Ratio of current assets to current liabilities	1.81 to 1	2.01 to 1
Book value per common share	$ 20.58	$ 19.97

*The fiscal year of the Corporation was changed to conform with the parent Company's, consequently, the current fiscal year includes 48 weeks versus 52 weeks in the prior year.

**Restated on a comparable basis to exclude sales of operations disposed of in Denver and for like periods of 52 weeks.

To our shareholders and employees:

For the fiscal year ended January 27, 1968, sales and operating revenues increased more than 11% on a fully-comparable basis as a result of improved merchandising techniques and a very effective sales program throughout the year.

Consolidated net earnings increased substantially, from $1.00 per share based on the average shares of common stock outstanding to $1.64 per share despite the fact that the current fiscal year contained only 48 weeks. The Company's accounting year was changed to conform with that of Gamble-Skogmo, Inc. (holder of 80.4% of the shares outstanding), resulting in a shorter period of operations. On a twelve-month comparable basis, the improvement would have been even more dramatic as the full period's earnings would have exceeded the prior year by approximately 75%. The earnings increase was due principally to tighter expense control in all areas, major organization realignments, and the aforementioned favorable sales results of existing stores.

Several new supermarkets and drug stores were opened during the fiscal year. Also, upgrading by either relocation or major remodelings was stepped up in those locations where Red Owl has been well established and successful in the past. Improving the facilities of these highly successful stores entails lower promotional costs than those applicable to expansion into units in new trade areas.

Quarterly dividend declarations of 25 cents per share were continued. Due to the shorter accounting period, the last quarter's payment, though declared in January, was not made until after the close of the fiscal year.

Previously reported plans for a complete merger with Gamble-Skogmo, Inc., by means of an exchange of stock, were deferred since a favorable tax ruling from Internal Revenue Service was not obtainable.

Strengthening our sales position, a constant vigilance on costs, a continued search for more efficiencies, combined with the leadership abilities of the people in our Management team, should result in further growth and improvement in the year ahead.

Ford Bell

FORD BELL
Chairman of the Board

James A. Watson

JAMES A. WATSON
President

REVIEW OF THE YEAR'S OPERATIONS

(The fiscal year-end of the Corporation was changed to January 27, 1968, to conform with that of the parent company. The current year, therefore, contains 48 weeks of operation compared with 52 weeks a year earlier.)

Sales and Operating Revenues

Actual consolidated sales and operating revenues for the fiscal year ended January 27, 1968 (48 weeks) were $313,327,958 compared with $337,483,386 for the prior year (52 weeks). The decline is entirely attributable to the disposition of the wholesale and warehouse operations in Denver and the abbreviated fiscal year. On a fully comparable basis, sales increased more than 11% over the previous similar period.

Earnings

Consolidated net earnings after taxes for the 48 weeks amounted to $2,485,029, equal to $1.64 per share on 1,519,770 average shares of common stock outstanding during the period. For the prior fiscal year, covering 52 weeks, earnings were $1,530,329 or $1.00 per share based on 1,532,983 average shares then outstanding. Of the shares issued, 135,840 were held in treasury on January 27, 1968.

Dividends

The quarterly dividend rate of 25 cents per share was maintained during the year. The fourth quarter declaration on January 16, 1968, was paid on February 15, following the year-end, and has been reflected in the financial statements.

Financial Data

On January 27, 1968, net working capital was $17,731,051 compared with $18,936,364 at the prior year-end. The current ratio was 1.81 to 1 against 2.01 to 1 the previous year. Long-term debt at the close of the year was $4,399,130 less than at the beginning of the year.

Write-offs for depreciation and amortization amounted to $2,636,065 and more than provided for expenditures of $2,254,202 for fixtures, equipment and leasehold improvements.

Growth by Expansion

During the year, three new supermarkets including replacements were opened. Two drug locations, one a replacement, were opened by the Snyder chain which now consists of 32 outlets. In addition to these complete drug units, drug departments are operated in three Red Owl centers.

Of particular interest was the completion of two octagonal design centers in the suburban Twin City area. Each has 32,500 square feet of space with a specially shaped roof made from blown concrete. In addition to supermarkets, the buildings contain a drug store, restaurant, on-premise bakery, and in one instance, a dress shop.

The Agency Division franchised 21 new affiliated independents the past year. This segment of operations has for many years demonstrated its profitability and continues to hold good potential for the future. The capital requirements of this phase of the business are relatively low in comparison to company-owned stores thereby producing a more favorable return on investment. In accordance with an established plan, marginal or unprofitable accounts are constantly reviewed and discontinued where deemed necessary.

Merchandising

In the past year, great strides were made in merchandising procedures which resulted in buying advantages and lowered prices to the consumer. Red Owl's "price rebellion" sales promotion was exceptionally well received by customers and was largely responsible for improving sales of established stores. The movement of health and beauty aid products was substantially increased due to drastically discounted retail prices. Frozen foods sales have been expanding at a rapid rate resulting in the need for more sales floor area and added equipment. Our merchandising team will continue the past year's aggressive campaign to capture more of the consumer spending. Sales increases in existing stores have a very salutary effect on earnings due to the presence of fixed costs.

Management Changes

During the year, James H. Wille, Vice President of Retail Operations for Red Owl, Thomas R. Pellett, Treasurer of Red Owl, and Lloyd Berkus, President of Snyder's Drug Stores, Inc., were elected to the Board of Directors to fill existing vacancies.

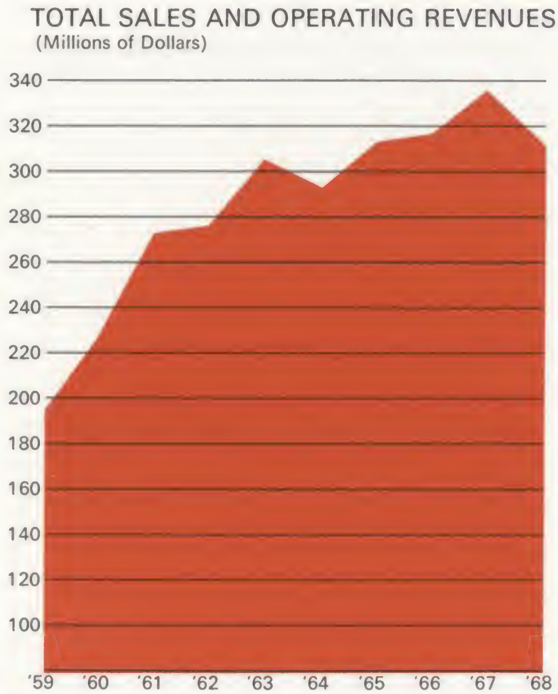
New officers elected during the year were: Glenn R. Anderson, Assistant Vice President, Distribution and Processing; Craig K. Kessel, Assistant Vice President, Personnel; and William C. Ferril, Controller. Mr. James E. Gottlieb was elevated to the post of Vice President, Administration.

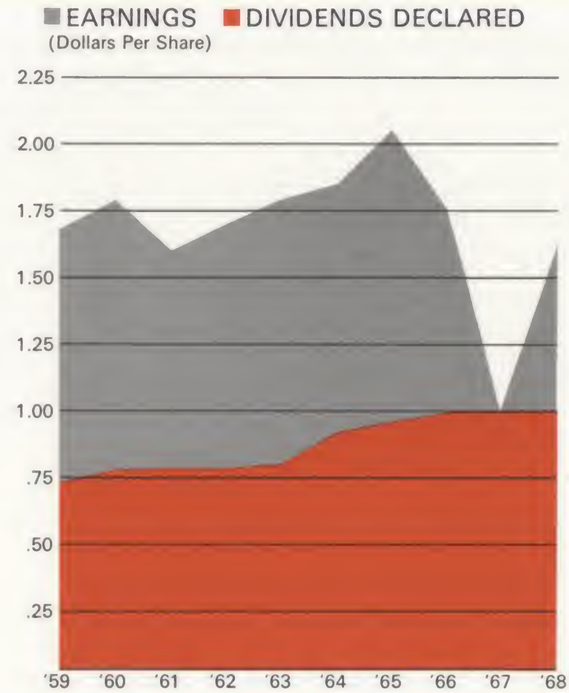
Looking Ahead

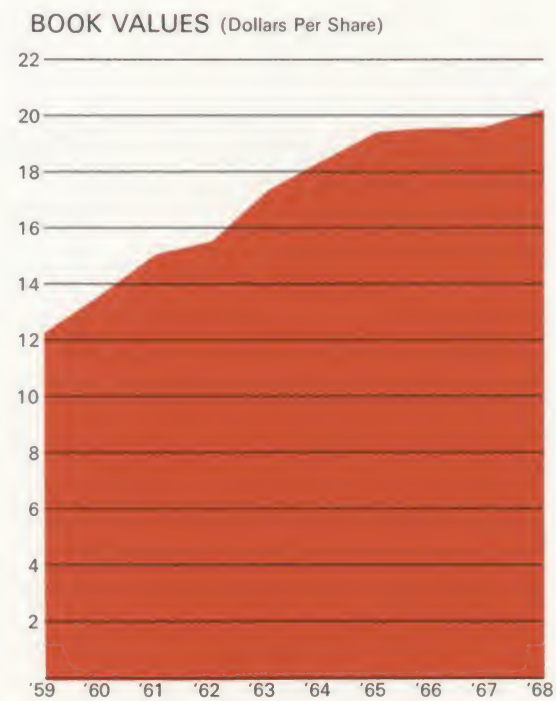
Sales development, search for more efficiencies, expense control—all will get added attention in the year ahead. Large frozen food additions are contemplated at all food warehouses to service projected store needs. The Agency Division will continue to develop new accounts as rapidly as good operators can be secured. The square footage of retail stores will be increased approximately 4% by expansion into new units or enlarging existing ones. The Family Center concept holds great interest for the future and several such new locations are now under consideration.

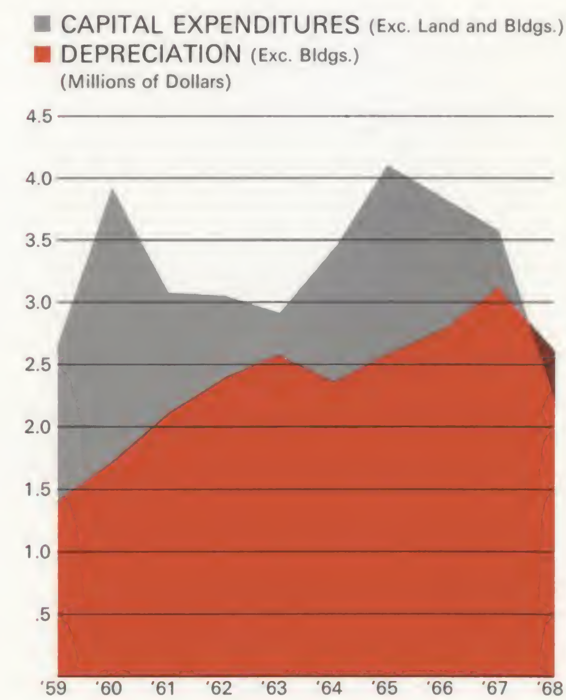
A solid foundation appears to have been laid—this coupled with the knowledge and capabilities of the people in the organization make the outlook very bright at this time.

Comparison of sales and operating revenues, earnings per share, dividends, book values, capital expenditures and depreciation









RED OWL STORES, INC. AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED OPERATIONS AND RETAINED EARNINGS

48 weeks ended January 27, 1968 with comparative figures for the 52 weeks ended February 25, 1967

	48 weeks ended Jan. 27, 1968	52 weeks ended Feb. 25, 1967
Net sales and operating revenues	$313,327,958	$337,483,386
Costs and operating expenses:		
Cost of goods sold, including warehousing and transportation expenses	255,390,286	276,276,852
Selling, general and administrative and other operating expenses	52,214,440	58,194,168
Total costs and operating expenses	307,604,726	334,471,020
Operating earnings	5,723,232	3,012,366
Other deductions (income)—net:		
Interest	908,766	1,049,910
Miscellaneous deductions	188,585	224,154
Loss (gain) on disposal of property and equipment—net	127,387	(276,230)
Miscellaneous income	(221,535)	(155,264)
Total other deductions (income)—net	1,003,203	842,570
Earnings before income taxes and extraordinary items	4,720,029	2,169,796
Federal and State income taxes (note 5)	2,235,000	718,000
Earnings before extraordinary items	2,485,029	1,451,796
Extraordinary items, net of income taxes	—	78,533
Net earnings	2,485,029	1,530,329
Retained earnings at beginning of year—unappropriated	19,119,807	19,122,941
	21,604,836	20,653,270
Deduct dividends on Red Owl Stores, Inc. common stock—$1.00 per share	1,520,973	1,533,463
Retained earnings at end of year:		
Unappropriated (note 6)	20,083,863	19,119,807
Appropriated for possible future inventory losses	285,000	285,000
Total at end of year	$ 20,368,863	$ 19,404,807
Per share of common stock:		
Earnings before extraordinary items	$ 1.64	$ .95
Extraordinary items, net of income taxes	—	.05
Net earnings	$ 1.64	$ 1.00

See accompanying notes to consolidated financial statements.

RED OWL STORES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

January 27, 1968 with comparative figures for February 25, 1967

	Jan. 27, 1968	Feb. 25, 1967
ASSETS		
Current assets:		
Cash	$ 4,524,868	$ 3,922,459
Accounts and notes receivable, less allowance for doubtful receivables, $103,022	2,688,630	3,471,608
Merchandise inventories (note 2)	30,028,683	28,786,389
Prepaid expenses	1,431,544	1,577,568
Properties subsequently sold	837,277	—
Total current assets	39,511,002	37,758,024
Receivables due after one year and miscellaneous investments	2,087,831	1,370,589
Property, plant and equipment, at cost less depreciation and amortization (notes 3, 5 and 6)	23,060,783	25,608,136
Deferred charges	860,773	1,099,586
Radio licenses, network contracts and other intangibles, at cost (note 4)	1,422,633	1,422,633
	$ 66,943,022	$ 67,258,968
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable to banks	$ —	$ 1,550,000
Current instalments of long-term debt	1,354,283	1,322,965
Accounts payable	14,281,490	10,496,369
Accrued expenses	3,683,400	4,786,357
Federal and State income taxes (note 5)	2,080,191	665,969
Dividends payable	380,587	—
Total current liabilities	21,779,951	18,821,660
Deferred Federal income taxes (note 5)	1,793,672	1,786,373
Long-term debt, less current instalments included above (note 6)	12,035,432	16,434,562
Stockholders' equity:		
Preferred stock—par value $100 per share. Authorized 50,000 shares; none issued	—	—
Common stock—no par value, stated value $1.50 per share. Authorized 3,000,000 shares; issued 1,658,188 shares (1,648,868 in 1967) (note 7)	2,487,282	2,473,302
Additional amounts paid in by stockholders (note 8)	11,477,727	11,338,169
Retained earnings (note 6), per accompanying statement	20,368,863	19,404,807
	34,333,872	33,216,278
Less cost of 135,840 shares of common stock held in treasury	2,999,905	2,999,905
Total stockholders' equity	31,333,967	30,216,373
Commitments (note 9)		
	$ 66,943,022	$ 67,258,968

See accompanying notes to consolidated financial statements.

STATEMENT OF SOURCE AND USE OF CONSOLIDATED FUNDS

48 weeks ended January 27, 1968 with comparative figures for the 52 weeks ended February 25, 1967

	48 weeks ended Jan. 27, 1968	52 weeks ended Feb. 25, 1967
Funds provided from:		
Net earnings	$ 2,485,029	$ 1,530,329
Depreciation and amortization of property	2,926,376	3,395,641
Income taxes deferred—net	7,299	(166,745)
Other non-fund charges	329,251	393,227
Total from operations	5,747,955	5,152,452
Additional long-term debt	2,036,000	5,736,000
Sales and exchanges of common stock (market value of common stock issued in purchase of business in 1967)	153,538	2,110,732
	$ 7,937,493	$ 12,999,184
Funds used for:		
Property, plant and equipment additions—net:		
Land and buildings	$ 1,902,893	$ 1,415,093
Fixtures, equipment and leasehold improvements	2,254,202	3,605,224
Less net book value of dispositions	(3,778,072)	(1,899,882)
	379,023	3,120,435
Cash dividends on common stock	1,520,973	1,533,463
Reduction of non-current portion of long-term debt, including debenture conversions	6,435,130	1,312,970
Purchases of common stock for treasury	—	1,495,244
Purchase of business, less net current assets, $1,411,786	—	700,054
Increase in other assets—net	807,680	782,023
Increase (decrease) in working capital	(1,205,313)	4,054,995
	$ 7,937,493	$ 12,999,184

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 27, 1968

Note 1.

The accompanying consolidated financial statements include the accounts of the Company and all active subsidiaries. The statement of consolidated operations and retained earnings and statement of source and use of consolidated funds are presented for the 48 week period ended January 27, 1968 because the Company and its subsidiaries changed their fiscal years to agree with the fiscal year of Gamble-Skogmo, Inc., which acquired 80.4% of the Company's common stock during the period.

Note 2.

Merchandise inventories of dry groceries in the Company's retail stores are valued at the lower of cost or market generally determined by the retail inventory method; merchandise inventories in drug and grocery stores of subsidiaries are valued at the lower of cost or market at various dates during the last three months of the fiscal period, adjusted for transactions to January 27, 1968 on the basis of gross profit percentages; warehouse and other inventories are valued at the lower of cost (first-in, first-out or average) or replacement market. Details of merchandise inventories are as follows:

	Jan. 27, 1968	Feb. 25, 1967
Retail stores	$ 13,648,348	$ 12,812,737
Warehouses	15,015,240	15,222,944
Other and in transit	1,365,095	750,708
	$ 30,028,683	$ 28,786,389

Note 3.

Property, plant and equipment, at cost less depreciation and amortization, including net properties of wholly-owned realty subsidiaries, $7,579,574, are summarized as follows:

	Jan. 27, 1968	Feb. 25, 1967
Land	$ 1,503,940	$ 1,576,643
Buildings	9,184,043	9,137,828
Furniture, fixtures and equipment	25,680,963	26,742,863
Automotive equipment	3,990,839	4,752,034
Leasehold improvements, less amortization	1,675,739	2,074,850
Construction in progress and property held for sale	913,973	1,129,918
	42,949,497	45,414,136
Less accumulated depreciation	19,888,714	19,806,000
	$ 23,060,783	$ 25,608,136

Note 4.

Radio licenses, network contracts and other intangibles principally represent allocated portions of the excess of cost over net assets of businesses acquired which the companies intend to carry until such time as there may be evidence of diminution of value or the term of existence of such value becomes limited.

Note 5.

Federal income taxes of the Company and its subsidiaries have been computed on a separate-return basis, although taxable income of the Company and subsidiaries for the period July 28, 1967 through January 27, 1968 will be included in a consolidated Federal income tax return of Gamble-Skogmo, Inc. and its subsidiaries. Accordingly, the liability for Federal income taxes in the accompanying balance sheet includes approximately $1,100,000 payable to Gamble-Skogmo, Inc. in lieu of Federal income tax payments.

Depreciation charges against earnings have been computed by the straight-line method; for income tax purposes, depreciation on certain buildings, fixtures and equipment has been computed by accelerated methods. Provision has been made for deferred income taxes applicable to the excess of depreciation claimed for tax purposes over amounts charged against earnings. The investment tax credit applied in reduction of the provision for Federal income taxes was $90,832 in 1968 and $185,711 in 1967.

Note 6.

Long-term debt and related restrictions are summarized as follows:

Red Owl Stores, Inc.:	
Notes payable to banks	$ 1,000,000
5½% and 5¾% notes due in 1972 and 1975	4,125,000
4¾% convertible subordinated debentures due in 1978	117,000
Foodtown Stores, Inc.:	
5¾% note due in 1980	688,000
Lease-purchase obligation	455,667
Other	47,877
Areawide Communications, Inc.:	
5% and 5¼% notes due in 1970 and 1971	1,085,704
Mortgage note	29,702
Intercorporate Finance, Inc.:	
5½% and 6% notes due in 1971 and 1972	1,680,000
Wholly-owned realty subsidiaries:	
5½% to 6¼% mortgage notes due in 1975 through 1985	2,090,765
4% to 4¾% sinking fund mortgage bonds due in 1969 through 1982	2,070,000
	13,389,715
Less current instalments	1,354,283
	$ 12,035,432

Notes payable to banks have been issued under a revolving credit agreement which provides for bank loans up to $5,000,000 through March 31, 1970, at ¼% above the prime interest rate and for payment of a commitment fee of ¼% per annum on unused balances.

Aggregate annual maturities and sinking fund requirements in the five fiscal years subsequent to 1969 are as follows: 1970, $1,340,332; 1971, $2,599,913; 1972, $2,743,130; 1973, $1,081,854; 1974, $721,970.

The mortgage notes and sinking fund mortgage bonds are variously secured by warehouse and store properties of realty subsidiaries and related long-term leases to the Company. The 4¾% subordinated debentures are convertible into shares of the Company's common stock at $16⅔ per share, subject to adjustment under certain conditions. Instalment payment provisions of the 5% and 5¼% notes of Areawide Communications, Inc. require payments in excess of scheduled instalments under certain conditions.

Restrictions on payment of dividends (except stock dividends) and purchase, redemption or retirement of capital stock are imposed by the terms of agreements relating to the Company's outstanding long-term debt. Retained earnings at January 27, 1968 free from restrictions, based on working capital and retained earnings requirements under the most restrictive of the agreements, amounted to approximately $930,000.

Note 7.

Of the authorized common stock, 7,020 shares are reserved for issuance upon conversion of the $4\frac{3}{4}\%$ subordinated debentures, 25,425 shares are reserved for issuance upon exercise of options granted under the Employees' Restricted Stock Option Plan and the Employees' Qualified Stock Option Plan and 21,340 shares remain available for granting of future options under the latter plan.

Under the qualified plan, options are granted at not less than 100% (95% under restricted plan) of market value at dates granted and become exercisable over a period of four years (five years under restricted plan) commencing one year after dates granted. All options expire, subject to earlier expiration in the event of termination of employment, if not exercised within five years (six years under restricted plan) of dates granted. Outstanding options have been granted at prices ranging from $18.75 to $27.25 per share; at dates of grant, shares under option had an aggregate market value of $543,522, an average of $21.38 per share. Changes during fiscal period in stock options held by key employees are summarized as follows:

	Options granted		Options exercisable	
	Shares	Amount	Shares	Amount
Balance at beginning of period	34,015	$738,156	18,147	$406,251
Granted or became exercisable	—	—	5,993	125,420
Exercised	(20)	(425)	(20)	(425)
Cancelled or expired	(8,570)	(206,312)	(5,690)	(144,403)
Balance at end of period	25,425	$531,419	18,430	$386,843

Potential future dilution of earnings per share arising from exercise of employee stock options and conversion of debentures is not considered material.

Note 8.

Additional amounts paid in by stockholders during the period aggregate $139,558, as follows: excess of amounts paid in over stated value of 20 shares of common stock issued upon exercise of employees' stock options, $395; excess of conversion price over stated value of 9,300 shares of common stock issued on conversion of $4\frac{3}{4}\%$ subordinated debentures, $141,050, less applicable portion of unamortized debenture issuance expenses, $1,887.

Note 9.

The companies lease 313 store and warehouse properties under leases expiring through fiscal year 1988. Minimum rentals required by leases in effect for fiscal year 1969, excluding taxes, insurance and maintenance costs payable by the companies, are $5,671,816 (including $1,294,915 applicable to 94 properties sub-let to agency operators and others). Minimum rentals on such leases subsequent to 1969 are as follows:

1970	$ 5,490,564
1971	5,189,636
1972	4,888,085
1973	4,543,727
1974-1978	16,448,626
1979-1983	6,489,420
After 1983	1,051,433

In addition, the companies have entered into agreements to lease store properties at new locations for initial periods of 15 to 20 years at minimum annual rentals which will aggregate approximately $124,000.

Note 10.

The Company and its subsidiaries have non-contributory, funded pension plans covering all regular full-time employees, other than employees covered by labor-management plans. The total pension expense for 1968 and 1967, excluding expense of labor-management plans, was $527,860 and $640,469, respectively, which includes, as to certain of the plans, amortization of prior service cost over a 30 year period. The actuarially computed value of vested benefits is fully funded.

Accountants' Report

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

NORTHWESTERN BANK BUILDING

MINNEAPOLIS, MINN. 55402

The Board of Directors and Shareholders
Red Owl Stores, Inc.:

We have examined the consolidated balance sheet of Red Owl Stores, Inc. and subsidiaries as of January 27, 1968 and the related statement of operations and retained earnings and the statement of source and use of consolidated funds for the 48 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated operations and retained earnings present fairly the financial position of Red Owl Stores, Inc. and subsidiaries at January 27, 1968, and the results of their operations for the 48 weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying statement of source and use of consolidated funds for the 48 weeks ended January 27, 1968 presents fairly the information shown therein.

Peat, Marwick, Mitchell & Co.

March 18, 1968

HOW THE SALES DOLLAR WAS DIVIDED

Merchandise, transportation, handling costs	86.3¢
Wages, salaries, employee benefits	11.3¢
Depreciation and amortization	.9¢
Dividends to shareholders	.5¢
Income taxes	.7¢
Reinvested	.3¢
	100.0¢

TEN YEAR COMPARATIVE FIGURES

FISCAL YEAR ENDED IN	1968	1967	1966
(000's omitted)			
Net sales and operating revenues	**$313,328**	$337,483	$315,524
(000's omitted)			
Earnings before extraordinary items	**2,485**	1,452	2,595
Extraordinary items, net	—	78	—
Net earnings for year	**2,485**	1,530	2,595
Dividends on common stock	**1,521**	1,533	1,492
Net earnings for year retained in business	**964**	(3)	1,103
Per average number of common shares outstanding:			
Earnings before extraordinary items	**1.64**	.95	1.74
Extraordinary items, net	—	.05	—
Net earnings	**1.64**	1.00	1.74
Dividends per common share	**1.00**	1.00	1.00
Net working capital (000's omitted)	**17,731**	18,936	14,881
Ratio of current assets to current liabilities	**1.81 to 1**	2.01 to 1	1.75 to 1
Stockholders' equity (000's omitted)	**31,334**	30,216	29,604
Common shares outstanding	**1,522,348**	1,513,028	1,481,476
Book value per common share	**20.58**	19.97	19.98
Number of common shareholders	**2,286**	5,270	4,501
Number of stores at close of year:			
Retail (including drug)	**217**	235	207
Agency and wholesale**	**278**	494	484
Total sq. ft. retail stores	**2,697,541**	2,912,260	2,583,209
Number of employees (including part-time)	**8,800**	8,400	8,025

*Figures have been adjusted to reflect retroactive application of a special credit in 1961.

**1968 Reflects disposition of Denver wholesale accounts.

NOTES: Comparative figures have been adjusted, where applicable, for the two-for-one stock distribution on March 22, 1963, to holders of record on March 15, 1963. Due to change in fiscal year-end, 1968 covers a 48-week period.

1965	1964	1963	1962	1961	1960	1959
$304,924	$296,475	$300,247	$279,188	$274,592	$226,589	$199,544
3,042	2,768	2,653	2,374	2,248	2,352*	2,247*
—	—	—	—	—	—	—
3,042	2,768	2,653	2,374	2,248	2,352*	2,247*
1,419	1,350	1,217	1,110	1,078	1,048	936
1,623	1,418	1,436	1,263	1,170*	1,304*	1,311*
2.04	1.85	1.80	1.71	1.67	1.80*	1.71*
—	—	—	—	—	—	—
2.04	1.85	1.80	1.71	1.67	1.80*	1.71*
.95	.90	.82½	.80	.80	.80	.75
16,226	16,322	18,356	14,918	13,172	12,388	12,644
1.92 to 1	1.95 to 1	2.18 to 1	2.08 to 1	2.13 to 1	1.97 to 1	2.26 to 1
28,745	27,073	26,148	22,146	20,214	18,247	16,351
1,491,681	1,480,221	1,498,106	1,404,266	1,363,732	1,330,232	1,291,992
19.27	18.29	17.45	15.77	14.82	13.72	12.66
4,123	4,249	4,182	4,078	4,183	4,290	3,827
204	195	195	172	166	163	148
474	454	450	426	423	439	354
2,510,275	2,324,218	2,340,341	2,076,306	1,931,107	1,815,422	1,512,035
7,850	7,600	7,700	7,400	7,000	6,100	5,600

Area Served by Red Owl (except shaded area) and Facilities

	Iowa	Mich.	Minn.	Mont.	N.Dak.	S.Dak.	Wis.	Wyo.	Colo.	Kan.	Mo.	Okla.	TOTAL
Corporate Stores	2	9	77	1	18	9	36	1	5	17	9	1	**185**
Agency Accounts	9	16	112		41	34	65	1					**278**
Drug Stores			30				2						**32**
Radio Stations			2			1							**3**
Principal Warehouses			2		1		1			1			**5**

DIRECTORS

T. R. ANDERSON, President, Perrybell Enterprises, Inc. (Investment Co.)
FORD BELL, Chairman of the Board of Directors, Red Owl Stores, Inc.
ALF L. BERGERUD, Associate, Cant, Haverstock, Beardsley, Gray & Plant
LLOYD D. BERKUS, President, Snyder's Drug Stores, Inc.
LOUIS E. DOLAN, Executive Vice President and Secretary, Gamble-Skogmo, Inc.
BERTIN C. GAMBLE, Chairman of the Board and Chief Executive Officer, Gamble-Skogmo, Inc.
J. PHILIP GOAN, Vice President, Gamble-Skogmo, Inc.
ARTHUR G. JOHNSON, Executive Vice President, Gamble-Skogmo, Inc.
THOMAS R. PELLETT, Treasurer, Red Owl Stores, Inc.
CARL C. RAUGUST, President, Gamble-Skogmo, Inc.
L. W. RIXE, Vice President, Gamble-Skogmo, Inc.
JAMES A. WATSON, President, Red Owl Stores, Inc.
JAMES H. WILLE, Vice President, Red Owl Stores, Inc.

OFFICERS

FORD BELL, Chairman of the Board of Directors
JAMES A. WATSON, President
NEIL R. ELKEY, Vice President, Agency Operations
JAMES E. GOTTLIEB, Vice President, Administration
JAMES H. WILLE, Vice President, Retail Operations
JOSEPH T. SYDNESS, Secretary
THOMAS R. PELLETT, Treasurer
WILLIAM C. FERRIL, Controller
GLENN R. ANDERSON, Assistant Vice President, Distribution and Manufacturing
CRAIG K. KESSEL, Assistant Vice President, Personnel
CLAYTON C. RADUE, Assistant Vice President, Retail Operations
FRANK L. WALKER, Assistant Vice President, Agency Division
RICHARD C. JOHNSON, Assistant Secretary and General Counsel
ORVILLE G. McDONALD, Assistant Treasurer and Analyst, Retail Operations

RED OWL STORES, INC.
Hopkins, Minn.

For more information about the activities and policies of Red Owl Stores, write to . . . RED OWL STORES, INC., HOPKINS, MINNESOTA. EXECUTIVE OFFICES: *215 E. Excelsior Avenue, Hopkins, Minnesota.* MAILING ADDRESS: *Post Office Box 329, Minneapolis, Minnesota 55440.* STOCK TRANSFER AGENTS: *Northwestern National Bank of Minneapolis, Bankers Trust Company of New York.* REGISTRARS: *First National Bank of Minneapolis, Morgan Guaranty Trust Company of New York.* AUDITORS: *Peat, Marwick, Mitchell & Co.*